

Considerations for Using a Foreign Trade Zone

Imported merchandise is to be stored for an uncertain or prolonged period of time, destined for various locations and may be exhibited for potential buyers:

- Cash flow and interest expense savings.
- Sufficient quantity of merchandise available for market and potential buyers to examine in U.S.
- Current examples in zones include autos, electronic products, plastic bags, semi-precious stones, aircraft engines, trucks, wall covering material, heavy machinery, food additives, Christmas tree lights, motorcycles and related parts, etc.

Imported merchandise is subject to a U.S. Quota restriction:

- Many U.S. quota restrictions do not apply to merchandise entered into a zone though quotas do apply to merchandise leaving a zone to enter U.S. Customs territory.
- Parts subject to a quota may be manipulated or processed in such a manner as to create a product not subject to a quota.
- Special regulations on textiles, apparel, and steel.
- Examples in zones include electronics.

Imported merchandise is to be inspected, repaired, destroyed, repackaged and marked or relabeled before entering the U.S. market:

- Inspection, repair or destruction of merchandise prior to payment of customs duty.
- Repackaging from heavy ocean master cartons into attractive, smaller, lighter weight packaging specially designed for the U.S. marketplace and creates substantial transportation savings.
- Marking and labeling requirements vary for each country and change frequently. Errors in invoicing are not unusual. Care can be taken to insure importation of properly marked, labeled, and invoiced merchandise.
- Examples in zones include electronic components, dinnerware and glassware, miscellaneous consumer goods, automotive parts, furniture, cosmetics, watches and apparel.

Assembly, manipulation, processing or manufacturing of a product using imported and domestic parts:

- Unique advantage of choosing classification of parts or finished product for Customs duty purposes.
- Customs duty paid only on value of foreign non-duty paid components.
- Potential qualifications for 'Assembled' or 'Made' in USA label.
- Examples in zones include pharmaceuticals, oil refining, automobiles, etc.